

Message Text

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ACTION ARA-10

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COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00

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PA-02 PRS-01 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3152

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY MONTEVIDEO

AMEMBASSY ASUNCION

US DEL MTN GENEVA 0324

USMISSION OECD PARIS

USEC BRUSSELS 0170

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 11045

E.O. 11652: N/A

TAGS: ETRD, EAGAR, BR

SUBJECT: BRAZIL'S TRADE DEFICIT AND EXPORT PERFORMANCE

REF: BRASILIA 10428

1. SUMMARY. BRAZIL'S EXPORTS IN NOVEMBER WERE \$650 MILLION. ALTHOUGH THE GROWTH TREND OF EXPORTS HAS BEEN DECLINING, JANUARY-NOVEMBER EXPORTS, \$7,866 MILLION, ARE 12.5 PERCENT (IN CURRENT DOLLARS) ABOVE THE SAME PERIOD IN 1974. ACCORDING TO PRESS REPORTS, A GOB OFFICIAL PREDICTS EXPORTS WILL REACH ABOUT \$8,600 MILLION BY YEAR-END. THIS WOULD IMPLY CLOSE TO ZERO REAL GROWTH OVER 1974 LEVELS. THE SAME
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OFFICIAL PREDICTED MODERATE EXPORT GROWTH AND DECLINING IM-

PORTS NEXT YEAR. BASED ON JANUARY/NOVEMBER DATA, THE GREATEST EXPORT GAINS HAVE COME IN SOYBEANS AND SOY PRODUCTS, IRON ORE, AND TRANSPORT EQUIPMENT; AND THE LARGEST DROPS HAVE COME IN GREEN AND SOLUBLE COFFEE AND IN TEXTILES. END SUMMARY.

2. THE BANK OF BRAZIL'S FOREIGN TRADE DEPARTMENT, CACEX, ANNOUNCED ON DECEMBER 26 THAT BRAZIL'S EXPORTS IN NOVEMBER WERE \$650 MILLION, DOWN 26 PERCENT FROM THE LEVEL IN NOVEMBER 1974. THROUGH NOVEMBER EXPORTS REACHED \$7,866 MILLION, A 12.5 PERCENT GAIN OVER THE FIRST ELEVEN MONTHS OF 1974. ACCORDING TO PRESS REPORTS, THE DIRECTOR OF CACEX SAID ON DEC. 29 THAT EXPORTS WOULD REACH ABOUT \$8,600 MILLION IN 1975 (ONE PRESS REPORT SAID THE DIRECTOR CLAIMED \$8,600-8,700 MILLION). THIS WOULD IMPLY EXPORT GROWTH OF ABOUT 8.2 PERCENT ABOVE 1974 LEVELS; IN REAL TERMS (CONSTANT DOLLARS) THIS WOULD MEAN CLOSE TO ZERO GROWTH. CACEX HAS INFORMED CONGEN RIO THAT IT IS NOT RELEASING OFFICIAL IMPORT STATISTICS, THUS THE TRADE DEFICIT FOR THE FIRST ELEVEN MONTHS CANNOT BE CALCULATED AUTHORITATIVELY. PRESS REPORTS, HOWEVER, PLACE THE DEFICIT BETWEEN \$3,300 MILLION AND \$3,400 MILLION THROUGH NOVEMBER. IF TRUE, SUCH FIGURES WOULD REPRESENT A SIGNIFICANT GAIN OVER THE SAME PERIOD LAST YEAR, WHEN THE TRADE DEFICIT HAD REACHED \$4,420 MILLION.

3. ON OTHER POINTS THE CACEX DIRECTOR SAID, ACCORDING TO PRESS REPORTS:

--EXPORT GROWTH IN 1976 WOULD BE "MODERATE" BASED ON (A) STAGNANT OR DECLINING EXPORTS IN THE FIRST HALF (COMPARED WITH THE FIRST-HALF OF 1974) BECAUSE OF OF LOW AGRICULTURAL PRICES IN 1975, AND (B) INCREASING EXPORTS IN THE SECOND-HALF AS BRAZIL TAKES ADVANTAGE OF HIGHER AGRICULTURAL VOLUMES AND

PRICES.

--THE DIRECTOR SAID IMPORTS IN 1976 WOULD DECLINE SIGNIFICANTLY, PERHAPS BY MORE THAN 25 PERCENT. ACCORDING TO ONE PRESS REPORT, THE DIRECTOR SAID THAT THE EXPORT GROWTH AND IMPORT DECLINE COULD BRING AN "APPROXIMATE" TRADE BALANCE.

--THE PRIVATE SECTOR IS EXPECTED TO REDUCE SUBSTANTIALLY ITS IMPORTS NEXT YEAR BECAUSE OF EXISTING INVENTORIES OF UNCLASSIFIED

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FOREIGN GOODS, AND BECAUSE OF THE EXPECTED IMPACT OF THE NEW IMPORT RESTRICTIONS.

--"WE CAN TAKE DECISIVE ACTION" ON IMPORTS, BUT NOT ON EXPORTS "BECAUSE THE DECISION TO BUY IS TAKEN ABROAD."

--SOYBEAN EXPORTS WILL NOT REACH THE PREDICTION OF \$1,300 MILLION; EXPORTERS WERE TAKEN BY SURPRISE BY THE FALL IN THE PRICE OF SOYBEAN PRODUCTS IN THE LAST TWO MONTHS, AND FOR THIS REASON SLOWED SHIPMENTS OF BEANS AND MEAL.

--A MAJOR DEVALUATION IS NOT NECESSARY. ALLUDING TO THE BLACK MARKET RATE OF 14 CRUZEIROS TO THE DOLLAR, ACCORDING TO ONE PRESS REPORT, THE DIRECTOR SAID THIS RATE DOES NOT REFLECT REAL CONDITIONS BUT RATHER SPECULATION.

4. AGGREGATE TRENDS IN JAN/NOV EXPORT STATISTICS ARE:

--QUARTER-BY-QUARTER, EXPORT GROWTH HAS SLACKENED. COMPARING QUARTERLY EXPORTS IN CURRENT DOLLARS IN 1975 WITH THOSE IN THE SAME PERIOD IN 1974, EXPORTS IN THE FIRST QUARTER OF 1975 WERE HIGHER BY 41 PERCENT; FOR THE SECOND-QUARTER THE FIGURE WAS 32 PERCENT; FOR THE THIRD QUARTER, 4 PERCENT; AND FOR THE FIRST TWO MONTHS OF THE FOURTH QUARTER EXPORTS WERE DOWN BY 21 PERCENT.

--EXPORTS OF PRIMARY PRODUCTS HAVE GROWN FASTER (UP 14.2 PERCENT THROUGH NOVEMBER) THAN TOTAL EXPORTS. EXPORTS OF PRIMARY PRODUCTS IN THIS PERIOD REACHED \$4.581 MILLION, OR SLIGHTLY OVER THREE-FIFTHS OF TOTAL EXPORTS.

--MANUFACTURED EXPORTS GREW BY 14.7 PERCENT THROUGH NOVEMBER IN COMPARISON WITH THE SAME PERIOD IN 1974. EXPORTS REACHED \$2,307 MILLION. ACCORDING TO ONE PRESS REPORT, OBSERVERS ATTRIBUTED THESE EXPORT GAINS TO THE ENTERING INTO PRODUCTION OF CERTAIN BEFIEX-FINANCED PROJECTS, EXPECIALLY IN AUTO-MOBILES AND AUTOMOBILES PARTS.

--SEMI-MANUFACTURED EXPORTS FARED LESS WELL: THROUGH NOVEMBER THEY DECLINED BY 1.7 PERCENT BELOW THE LEVEL OF JANUARY-NOVEMBER 1974, DOWN TO \$782 MILLION, OR ABOUT 10 PERCENT OF TOTAL EXPORTS.

5. INDUSTRY-BY-INDUSTRY, BASED ON JANUARY-NOVEMBER DATA, EXPORTS GREW MOST IN ABSOLUTE TERMS IN: SOYBEAN AND SOY PRODUCTS, UP \$412 MILLION, IRON ORE, UP \$292 MILLION, AND TRANSPORT EQUIPMENT, UP \$120 MILLION; THE GREATEST DROP UNCLASSIFIED

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CAME IN GREEN AND SOLUBLE COFFEE, DOWN \$69 MILLION, AND TEX-TILES, DOWN \$55 MILLION. THE TEN LARGEST EXPORT CATEGORIES, AND THE PERCENTAGE GROWTH OVER JANUARY/NOVEMBER 1974 (IN PARENTHESES), WERE: 1-SOYBEANS AND SOY/PRODUCTS, \$1,209 MILLION (UP 52 PERCENT); 2-SUGAR, DEMERARA, CRYSTAL, AND REFINED, \$1,070 MILLION (UP 3 PERCENT); 3- COFFEE, GREEN AND SOLUBLE, \$818 MILLION (DOWN 16 PERCENT); 4-IRON ORE, \$800 MILLION (UP 57 PERCENT); 5- TRANSPORT MATERIALS, \$282 MILLION (UP 120 PERCENT); 6- COCOA BEANS AND BUTTER, \$281 MILLION (UP 10 PERCENT); 7- TEXTILES, 268 MILLION (DOWN 17 PERCENT); 8- MACHINES, BOILERS, AND MACHANICAL APPARATUS AND INSTRUMENTS, \$228 MILLION (UP 73 PERCENT); 9- SHOES, \$146 MILLION (UP 32 PERCENT); AND IRON AND STEEL PRODUCTS, \$143 MILLION (DOWN 16 PERCENT).

6. OF SPECIAL INTEREST IS THE BREAKDOWN OF EXPORTS OF SOY-
BEANS AND SOYBEN PRODUCTS: SOYBEANS, \$650 MILLION, UP
19 PERCENT OVER THE FIRST ELEVEN MONTHS OF 1974; SOYBEAN MEAL,
\$418 MILLION, UP 67 PERCENT; AND UNREFINED SOYBEAN OIL, \$140 MILLION,
VERSUS NO EXPORTS IN 1974.
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